

Message Text

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ACTION EB-12

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INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

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TO SECSTATE WASHDC 4438

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: BANK OF ENGLAND SUPPLEMENTARY REGULATIONS
GOVERNING ADVANCE PAYMENTS FOR IMPORTS

BEGIN SUMMARY: THE BANK OF ENGLAND ISSUED SUPPLEMENTARY EXCHANGE CONTROL REGULATIONS ON OCTOBER 1, WHICH GOVERN APPLICATIONS FOR PERMISSION TO MAKE ADVANCE PAYMENT FOR IMPORTED GOODS. THE SUPPLEMENTARY REGULATIONS REQUIRE GREATER DETAILED INFORMATION TO BE SUPPLIED IN CONJUNCTION WITH THE REQUEST. UNDER THE EXCHANGE CONTROL ACT, PRIOR PAYMENT FOR IMPORTS INTO THE UK IS NOT NORMALLY ALLOWED, EXCEPT IN CERTAIN CASES WITH BANK OF ENGLAND APPROVAL, UNLESS THE GOODS HAVE BEEN SENT, OR ARE TO BE SENT IMMEDIATELY UPON PAYMENT. END SUMMARY

1. ON OCTOBER 1, IN RESPONSE TO A GROWING NUMBER OF REQUESTS FOR PERMISSION TO MAKE ADVANCE PAYMENT FOR GOODS TO BE IMPORTED INTO THE UK, THE BANK OF ENGLAND ISSUED SUPPLEMENTARY REGULATIONS TO THE EXCHANGE CONTROL ACT. ADVANCE PAYMENT, WHICH REQUIRES BANK OF ENGLAND APPROVAL, IS NOT NORMALLY ALLOWED UNLESS THE GOODS HAVE BEEN SHIPPED

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OR ARE TO BE IMMEDIATELY SENT UPON PAYMENT. FAVORABLE

CONSIDERATION FOR ADVANCE PAYMENT REQUESTS IS, HOWEVER, NORMALLY GIVEN FOR ADVANCE PAYMENTS TO BE MADE FOR SOME IMPORTS OF RAW MATERIALS AND CAPITAL GOODS.

2. VOLATILE EXCHANGE RATES AND COMMODITY PRICES COMBINED WITH INTERNATIONAL INFLATIONARY PRESSURES ARE CITED AS FACTORS CAUSING AN UPWARD SURGE IN THE NUMBER OF APPLICATIONS FOR ADVANCE PAYMENT PERMISSION. IN ORDER TO PROTECT THEMSELVES FROM THE EXPECTED UPWARD TREND, IMPORTERS ATTEMPT ADVANCE PAYMENTS TO OFFSET THE ADVERSE FACTORS CITED ABOVE.

3. THE NEW REGULATIONS INVOLVE THE SUBMISSION OF MORE DETAILED INFORMATION UPON APPLICATION FOR ADVANCE PAYMENT PERMISSION THAN HAS BEEN REQUIRED HERETOFORE. HOWEVER, THE BANK OF ENGLAND CONSIDERS THAT THE SUPPLEMENTAL REGULATIONS ONLY REPRESENT A FORMALIZATION OF ESTABLISHED ADMINISTRATIVE PRACTICES. APPLICANTS MUST FURNISH THE FOLLOWING INFORMATION: (A) WHETHER THE APPLICANT IS ACTING AS AN AGENT FOR A NON-RESIDENT SUPPLIER OR ON HIS OWN BEHALF, (B) THE PRICE OF THE GOODS AND FULL DETAILS OF PAYMENT TERMS, (C) SHIPMENT DATE, (D) DESCRIPTION OF THE GOODS, (E) WHETHER SPECIAL ORDER GOODS OR NORMAL PRODUCTION LINE GOODS, (F) REASON FOR ACCEPTING THE PURCHASE TERMS ACCOMPANIED BY CONFIRMATION THAT BETTER TERMS CAN BE NEGOTIATED.

4. COMMENT. AS WITNESSED IN OTHER COUNTRIES, E.G. THROUGH THE ACTION OF THE BANK OF JAPAN, CONTROL OVER ADVANCE PAYMENT FOR IMPORTED GOODS, IS ONE OF THE TOOLS UTILIZED IN CONTROL OF THE FOREIGN EXCHANGE MARKET. THE SUPPLEMENTARY REGULATIONS INDICATE THAT THE BANK OF ENGLAND FULLY INTENDS TO MAINTAIN CLOSE SURVEILLANCE OVER THE ACTIVITIES OF IMPORT FIRMS WHICH CAN INFLUENCE LEADS AND LAGS. IT IS UNLIKELY THAT THE BANK WILL ALLOW A FLOOD OF ADVANCE PAYMENTS TO BRING PRESSURE ON THE CURRENT RELATIVE STABILITY OF THE POUND.

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